

**MINUTES OF THE
TAX REVIEW COMMISSION**

Thursday, September 14, 2000 - 9:00 a.m. -- Room 405 State Capitol

Members Present:

Mr. James B. Lee, Vice-chair
Mr. Mark Buchi
Rep. Judy Ann Buffmire
Ms. Anne Clark
Rep. Greg J. Curtis
Mr. Robert M. Graham
Sen. Lyle W. Hillyard
Judge Jon Memmott
Ms. Bonnie Miller
Ms. Dorothy P. Owen
Sen. Millie M. Peterson

Members Excused:

Mr. Gary Cornia, Chair
Comm. Bruce Johnson

Members Absent:

Mr. Keith Prescott

Staff Present:

Mr. Bill Asplund
Assistant Director
Ms. Rebecca L. Rockwell
Associate General Counsel
Ms. L. Kaye Clark
Secretary

Note: A list of others present and a copy of materials distributed in the meeting are on file in the Office of Legislative Research and General Counsel.

1. Call to Order and Approval of August 11, 2000 Minutes – Vice-chair Lee called the meeting to order at 9:15 a.m. and welcomed members of the Tax Review Commission (TRC). He noted that Commissioner Palmer DePaulis was attending the meeting in place of Commissioner Johnson.

MOTION: Sen Peterson moved to approve the minutes of the August 11, 2000 meeting. The motion passed unanimously. Mr. Buchi, Rep. Curtis, Sen. Hillyard, Judge Memmott, and Ms. Owen were absent for the vote.

2. Tax Simplification – Alan L. Sullivan, Chair, Utah Constitutional Revision Commission (CRC), explained that the CRC has requested the TRC's assistance in making revisions to Utah Constitution Article XIII. He noted that the purpose of these revisions is not to change the substance of Article XIII but to clarify its terms, simplify its provisions, eliminate redundancy, and modernize the language to eliminate unnecessary or outdated provisions. Mr. Sullivan then reviewed the proposed revisions contained in the handout "Article XIII: Revenue and Taxation (9-11-2000)."

The TRC discussed issues related to the revisions including the use of "fair market value," lease contracts, double taxation, uniform definitions, boards of equalization, the recodification process, and legal and policy ramifications. Rep. Short recommended scheduling this item with the Revenue & Taxation Interim Committee during the 2001 interim.

Mr. Sullivan invited the members to attend CRC meetings and provide input on the proposed revisions.

Vice-chair Lee commented that Chair Cornia requested that this item be placed on next month's agenda.

3. Local Revenues – Rep. Chad E. Bennion, Utah Advisory Commission on Intergovernmental Relations (UACIR), reported that UACIR has formed a subcommittee to study local government revenue sources and determine what is driving Utah's tax policies. He distributed the handout "Tax History." He announced that the next UACIR meeting is scheduled for September 29, 2000, at 8:30 a.m. in Room 305.

The TRC suggested the subcommittee review the following issues: (1) school districts' reliance on the property tax; (2) distribution of local sales and use taxes; (3) the rapid growth of special districts; (4) issues driving tax policy that are not related to revenue, such as justice courts; (5) the impact of Internet sales; and (6) disparity in sales and use taxes.

4. California's Proposal to Tax the Internet – Mr. Asplund informed the TRC that California has recently passed a law that clarifies that the processing of orders electronically, by fax, telephone, the Internet, or other electronic ordering process, does not relieve a retailer of responsibility for collection of the tax from the purchaser if the retailer is engaged in business in California. He noted that to date California's Governor Gray Davis has not signed the bill into law.

5. Other Business – Ms. Rockwell distributed the handout "Revisions to Utah Constitution Article XIII" and commented that the handout will be discussed at the October meeting. She requested that the members submit by September 29 comments or potential issues relating to CRC's proposed revisions for discussion during the October meeting. Judge Memmott requested a list of citations for cases interpreting Utah Constitution Article XIII. Ms. Rockwell agreed to compile that list.

Ms. Rockwell also distributed the draft legislation "State Earned Income Tax Credit" and "Individual Income Tax - Bracket Adjustments" that will be considered by the TRC at the October meeting.

Vice-chair Lee announced that the next TRC meeting will be held on October 13, 2000, at 1:00 p.m.

Ms. Owen requested that the charts regarding tax data from the June 9, 2000 meeting be updated and distributed at the October TRC meeting.

6. Adjournment

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MOTION: Sen. Peterson moved to adjourn the meeting at 10:50 a.m. The motion passed unanimously.